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BEFORE THE ARIZONA CORPORATION

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**COMMISSIONERS**

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2007 DEC 28 P 12:02

AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE FILING BY TUCSON )  
ELECTRIC POWER COMPANY TO AMEND )  
DECISION NO. 62103. )

DOCKET NO. E-01933A-05-0650

IN THE MATTER OF THE APPLICATION OF )  
TUCSON ELECTRIC POWER COMPANY FOR )  
THE ESTABLISHMENT OF JUST AND )  
REASONABLE RATES AND CHARGES )  
DESIGNED TO REALIZE A REASONABLE )  
RATE OF RETURN ON THE FAIR VALUE OF )  
ITS OPERATIONS THROUGHOUT THE STATE )  
OF ARIZONA. )

DOCKET NO. E-01933A-07-0402

**NOTICE OF FILING  
AFFIDAVITS OF PUBLICATION  
AND MAILING**

Tucson Electric Power Company, through its undersigned counsel, hereby submits the  
attached affidavits of publication and mailing.

RESPECTFULLY SUBMITTED this 28<sup>th</sup> day of December 2007.

TUCSON ELECTRIC POWER COMPANY

By

Michael W. Patten  
J. Matthew Derstine  
Roshka DeWulf & Patten, PLC  
One Arizona Center  
400 East Van Buren Street, Suite 800  
Phoenix, Arizona 85004

and

Arizona Corporation Commission  
**DOCKETED**  
DEC 28 2007

DOCKETED BY

*[Signature]*

Raymond S. Heyman  
Michelle Livengood  
Tucson Electric Power Company  
One South Church Avenue, Ste 200  
Tucson, Arizona 85701

Original and 15 copies of the foregoing  
filed this 28<sup>th</sup> day of December 2007 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Copy of the foregoing hand-delivered/mailed  
this 28<sup>th</sup> day of December 2007 to:

Chairman Mike Gleason  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Commissioner William A. Mundell  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Commissioner Jeff Hatch-Miller  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Commissioner Kristin K. Mayes  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Commissioner Gary Pierce  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Lyn A. Farmer, Esq.  
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Arizona Corporation Commission  
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**ROSHKA DeWULF & PATTEN, PLC**

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14 By



## AFFIDAVIT OF PUBLICATION

STATE OF ARIZONA            )  
  ) ss.  
COUNTY OF PIMA            )

**Jamie Macias**, being first duly sworn, deposes and says that she is the **Legal Advertising Manager** of **THE DAILY TERRITORIAL**, a daily newspaper printed and published in the County of Pima, State of Arizona, and of general circulation in the City of Tucson, County of Pima, State of Arizona and elsewhere, and the hereto attached:

PUBLIC NOTICE  
NO. E-01933A-07-0402 ET AL

was printed and published correctly in the regular and entire issue of said **THE DAILY TERRITORIAL** for 1 issues; that was first made on the 21<sup>ST</sup> day of November 2007 and the last publication thereof was made on the 21<sup>st</sup> day of November 2007; that said publication was made on each of the following days, to-wit:

11/21/07

at the Request of:

Tucson Electric Power

By *Jamie Macias*

Legal Advertising Manager

Subscribed and sworn to before me this 26<sup>th</sup> day of November 2007.



**ROBBIE JONES**  
Notary Public - Arizona  
Pima County  
Expires 11/01/08

*Robbie Jones*  
Notary Public in and for the County of Pima, State of Arizona  
My Commission Expires: 11-01-08

## Public Notices (continued)

# PUBLIC NOTICE OF HEARING ON THE RATE APPLICATION OF TUCSON ELECTRIC POWER COMPANY DOCKET NO. E-01933A-07-0402 ET AL

### Summary

On July 2, 2007, Tucson Electric Power Company ("TEP" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for a rate increase to become effective January 1, 2009. TEP's filing includes three alternative methods for determining TEP's rates. Under the "Market Methodology" alternative, the unbundled generation service rate would be set at a market-based rate using the Market Generation Credit in TEP's tariff as established by Commission Decision Nos. 62103 and 65751, and all other rates would be set under cost-of-service principles. Under this approach the rates customers pay for generation would fluctuate based on an index for the cost of power in the wholesale market. TEP estimates that the Market Methodology initially would produce a rate increase of approximately 21.9 percent over TEP's current retail rates based on Company projections for wholesale market power prices. The "Cost-of-Service Methodology" alternative would have TEP's retail rates based on cost-of-service principles for distribution, transmission and generation services. This proposed methodology includes regulatory assets for the purported costs associated with the transition of generation service from a regulated monopoly to a competitive scheme and then back to a regulated monopoly; would implement a purchased power and fuel adjustment clause ("PPFAC") to recover TEP's power supply costs; and would restore the exclusivity of the Company's Certificate of Convenience and Necessity. TEP estimates the Cost-of-Service Methodology initially will produce a rate increase of approximately 23.0 percent over

TEP's current retail rates based on its projections for future power supply costs. The implementation of a PPFAC would cause the generation portion of a customer's bill to fluctuate based on power and fuel supply costs. The third proposed alternative is the "Hybrid Methodology" under which TEP's retail rates would be based on cost-of-service principles for distribution, transmission and generation, but some of TEP's generation assets would be excluded from rate base and designated as wholesale assets. The Hybrid Methodology incorporates a regulatory asset and includes a PPFAC. TEP expects the Hybrid Methodology initially to produce a rate increase of approximately 14.9 percent over current retail rates based on the Company's projections for future power supply costs.

**The actual increase for each customer would vary, based on the type and quantity of service provided. Customers may contact TEP to inquire about the effect of the Company's proposal on their individual bill.**

The Commission's Utilities Division Staff is in the process of auditing and analyzing TEP's records and has not yet made a recommendation regarding the proposed methodologies or the rate increase. The Residential Utility Consumer Office, among others, is also a party to this proceeding. The Commission will determine the appropriate rate adjustment to be granted based on the evidence of record in the proceeding. The Commission is not bound by the proposals made by the Company, Staff, or any intervenors and therefore, the final rates approved may be higher or lower than the rates proposed by the Company.

### How You Can View or Obtain a Copy of the Rate Proposal

Copies of the application and proposed rates are available upon request by contacting TEP at **Tucson Electric Power, Corporate Communications, P.O. Box 711, Tucson, Arizona 85702, 520/884-3742, [corpcomm@tep.com](mailto:corpcomm@tep.com)**. Copies of the application are also available at the Commission's offices at 1200 West Washington, Phoenix, Arizona, or 400 West Congress, Suite 218, Tucson, Arizona for public inspection during regular business hours and on the internet via the Commission website ([www.azcc.gov](http://www.azcc.gov)) using the e-docket function.

### Arizona Corporation Commission Public Hearing Information

The Commission will hold a hearing on this matter beginning **May 12, 2008** at 10:00 a.m., or as soon thereafter as is practical, at the Commission's offices, 400 West Congress, Room 222, Tucson, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted via email, or by mailing a letter referencing Docket Number E-01933A-07-0402 to: Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007 (visit [http://www.azcc.gov/divisions/util/forms/public\\_comment.pdf](http://www.azcc.gov/divisions/util/forms/public_comment.pdf) for a form and instructions). If you require assistance, you may contact the

Consumer Services Section of the Commission at 1-800-222-7000.

### About Intervener Status

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you desire to intervene, you must file a written motion to intervene with the Commission no later than **February 15, 2008**. You must send a copy of the motion to intervene to the Company or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number and the name, address and telephone number of any party upon whom service of documents is to be made if not yourself.
2. A short statement of your interest in the proceeding (e.g., a customer of the Company, a shareholder of the Company, etc.).
3. A statement certifying that you have mailed a copy of the motion to intervene to the Company or its counsel and to all parties of record in the case.

The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case. You will not receive any further notice of this proceeding unless you request it.

### ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Linda Hogan, at [LHogan@azcc.gov](mailto:LHogan@azcc.gov), voice phone number 602/542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

PUBLISHED: The Daily Territorial  
November 21, 2007  
E-01933A-07-0402etel 1

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For more information about the importance of arts education, please contact [www.AmericansForTheArts.org](http://www.AmericansForTheArts.org).



## TUCSON'S NEWSPAPERS

Tucson, Arizona

STATE OF ARIZONA)  
COUNTY OF PIMA)

Debbie Capanear, being first duly sworn deposes and says: that she is the Legal Advertising Representative of the **TUCSON'S NEWSPAPERS COMPANY**, a corporation organized and existing under the laws of the State of Arizona, and that the said **TUCSON'S NEWSPAPERS PUBLISHING COMPANY** prints and publishes the Arizona Daily Star and Tucson Citizen, daily newspapers printed and published in the City of Tucson, Pima County, State of Arizona, and having a general circulation in said City, County, State and elsewhere, and that the attached

### Legal Notice

was printed and published correctly in the entire issue of the said Arizona Daily Star and Tucson Citizen on each of the following dates, to-wit:

Nov. 21, 2007

Debbie Capanear

Subscribed and sworn to before me this 4th day of  
Dec., 2007

Silvia H. Valdez  
Notary Public



SILVIA H. VALDEZ  
Notary Public - Arizona  
Pima County  
Expires 12/15/09

My commission expires \_\_\_\_\_

TNI AD NO. 5951372



# PUBLIC NOTICE OF HEARING ON THE RATE APPLICATION OF TUCSON ELECTRIC POWER COMPANY DOCKET NO. E-01933A-07-0402 ET AL

## **Summary**

On July 2, 2007, Tucson Electric Power Company ("TEP" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for a rate increase to become effective January 1, 2009. TEP's filing includes three alternative methods for determining TEP's rates. Under the "Market Methodology" alternative, the unbundled generation service rate would be set at a market-based rate using the Market Generation Credit in TEP's tariff as established by Commission Decision Nos. 62103 and 65751, and all other rates would be set under cost-of-service principles. Under this approach the rates customers pay for generation would fluctuate based on an index for the cost of power in the wholesale market. TEP estimates that the Market Methodology initially would produce a rate increase of approximately 21.9 percent over TEP's current retail rates based on Company projections for wholesale market power prices. The "Cost-of-Service Methodology" alternative would have TEP's retail rates based on cost-of-service principles for distribution, transmission and generation services. This proposed methodology includes regulatory assets for the purported costs associated with the transition of generation service from a regulated monopoly to a competitive scheme and then back to a regulated monopoly; would implement a purchased power and fuel adjustment clause ("PPFAC") to recover TEP's power supply costs; and would restore the exclusivity of the Company's Certificate of Convenience and Necessity. TEP estimates the Cost-of-Service Methodology initially will produce a rate increase of approximately 23.0 percent over TEP's current retail rates based on its projections for future power supply costs. The implementation of a PPFAC would cause the generation portion of a customer's bill to fluctuate based on power and fuel supply costs. The third proposed alternative is the "Hybrid Methodology" under which TEP's retail rates would be based on cost-of-service principles for distribution, transmission and generation, but some of TEP's generation assets would be excluded from rate base and designated as wholesale assets. The Hybrid Methodology incorporates a regulatory asset and includes a PPFAC. TEP expects the Hybrid Methodology initially to produce a rate increase of approximately 14.9 percent over current retail rates based on the Company's projections for future power supply costs.

**The actual increase for each customer would vary, based on the type and quantity of service provided. Customers may contact TEP to inquire about the effect of the Company's proposal on their individual bill.**

The Commission's Utilities Division Staff is in the process of auditing and analyzing TEP's records and has not yet made a recommendation regarding the proposed methodologies or the rate increase. The Residential Utility Consumer Office, among others, is also a party to this proceeding. The Commission will determine the appropriate rate adjustment to be granted based on the evidence of record in the proceeding. The Commission is not bound by the proposals made by the Company, Staff, or any intervenors and therefore, the final rates approved may be higher or lower than the rates proposed by the Company.

## **How You Can View or Obtain a Copy of the Rate Proposal**

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Publish November 21, 2007 - Arizona Daily Star, Tucson Citizen

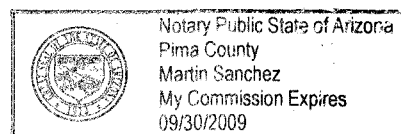
STATE OF ARIZONA )  
 ) ss.  
COUNTY OF PIMA )

1. I am the Senior Graphics Communications Supervisor for Tucson Electric Power Company and that I have authority to certify said documents.
2. The document attached hereto is a true and complete copy of the notice mailed as a bill insert to all Tucson Electric Power Company customers (Districts 1 through 21) beginning with District 2 on November 19, 2007 and ending with District 1 on December 19, 2007.

Paul Kozak

Acknowledged before me this 21<sup>st</sup> day of December, 2007.

  
Notary Public



# **PUBLIC NOTICE OF HEARING ON THE RATE APPLICATION OF TUCSON ELECTRIC POWER COMPANY DOCKET NO. E-01933A-07-0402 ET AL**

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**The actual increase for each customer would vary, based on the type and quantity of service provided. Customers may contact TEP to inquire about the effect of the Company's proposal on their individual bill.**

The Commission's Utilities Division Staff is in the process of auditing and analyzing TEP's records and has not yet made a recommendation regarding the proposed methodologies or the rate increase. The Residential Utility Consumer Office, among others, is also a party to this proceeding. The Commission will determine the appropriate rate adjustment to be granted based on the evidence of record in the proceeding. The Commission is not bound by the proposals made by the Company, Staff, or any intervenors and therefore, the final rates approved may be higher or lower than the rates proposed by the Company.

## **How You Can View or Obtain a Copy of the Rate Proposal**

Copies of the application and proposed rates are available upon request by contacting TEP at **Tucson Electric Power, Corporate Communications, P.O. Box 711, Tucson, Arizona 85702, 520/884-3742, corpcomm@tep.com**. Copies of the application are also available at the Commission's offices at 1200 West Washington, Phoenix, Arizona, or 400 West Congress, Suite 218, Tucson, Arizona for public inspection during regular business hours and on the internet via the Commission website ([www.azcc.gov](http://www.azcc.gov)) using the e-docket function.

## **Arizona Corporation Commission Public Hearing Information**

The Commission will hold a hearing on this matter beginning **May 12, 2008** at 10:00 a.m., or as soon thereafter as is practical, at the Commission's offices, 400 West Congress, Room 222, Tucson, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted via email, or by mailing a letter referencing Docket Number E-01933A-07-0402 to: Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007 (visit [http://www.azcc.gov/divisions/util/forms/public\\_comment.pdf](http://www.azcc.gov/divisions/util/forms/public_comment.pdf) for a form and instructions). If you require assistance, you may contact the Consumer Services Section of the Commission at 1-800-222-7000.

### **About Intervener Status**

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you desire to intervene, you must file a written motion to intervene with the Commission no later than **February 15, 2008**. You must send a copy of the motion to intervene to the Company or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number and the name, address and telephone number of any party upon whom service of documents is to be made if not yourself.
2. A short statement of your interest in the proceeding (e.g., a customer of the Company, a shareholder of the Company, etc.).
3. A statement certifying that you have mailed a copy of the motion to intervene to the Company or its counsel and to all parties of record in the case.

The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case. You will not receive any further notice of this proceeding unless you request it.

### **ADA/Equal Access Information**

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Linda Hogan, at [LHogan@azcc.gov](mailto:LHogan@azcc.gov), voice phone number 602/542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.